



INSURANCE FRAUD INVESTIGATION DIVISION

Kentucky Department of Insurance

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Fraud Statistics/Convictions Activity

August 2010

Fraud Statistics

	<u>Month/Aug</u>	<u>YTD</u>
Total Referrals Received.....	90	660
Closed Referrals.....	0	150
Open Cases (Investigations-includes prior years)		218
Assigned Cases (Investigations).....	3	152
Closed Cases (Investigations).....	22	131
Closed Cases (Investigations) Exceptionally Cleared – Declined by Prosecutor.....	3	15
Charges (1 felony).....	1	111
Convictions (3 felonies, 2 misdemeanors)	5	45
Restitution Ordered.....	\$774,741.88	\$990,906.35

Convictions Activity

Zag Resources, Inc. – Johnny Pennington and/or other officers of Zag Resources made false material statements to Kentucky Employers' Mutual Insurance Company (KEMI) by understating the number of employees and the amount of equipment it operated in order to avoid higher premium payments to KEMI in the ongoing application process for workers' compensation insurance. Pennington was charged in U. S. District Court, Eastern District of Kentucky with two counts of mail fraud and 11 counts of failure to pay over withholding

taxes. He was convicted of one count of mail fraud and one count of failure to pay over withholding taxes. He was sentenced to 20 months in the custody of the United States Bureau of Prisons and three years supervised release at the end of his prison term. In addition, Pennington was ordered to pay a special assessment of \$100 for each count for a total of \$200, to pay restitution in the amount of \$272,362 to KEMI and restitution of \$499,907 to the United States Government. The court further ordered that the \$27,511 seized in execution of the search warrants of Pennington's home and office be turned over to KEMI.

Troy L. Fields – On or about June 25, 2006, Troy Fields, along with others, participated in staging automobile accidents in order to defraud insurers. Fields was charged in the United States District Court, Eastern Division of Kentucky with one count of conspiracy to commit mail fraud, six counts of mail fraud and five counts of aiding and abetting mail fraud. He was convicted of one count of conspiracy to commit mail fraud and was sentenced to 30 months in the United States Bureau of Prisons, which will run consecutively with any imprisonment under any previous state or federal sentence. Upon release from prison, he was ordered to be on supervised release for three years. The court ordered that he pay an assessment fee of \$100 and restitution in the amount of \$81,317.76 joint and several with co-defendants.

Joseph Thompson – During a period in 2008, Joseph Johnson submitted false information on applications to The Western and Southern Life Insurance Company. Johnson was charged with one count of fraudulent insurance acts over \$300. He was convicted of the amended charge of fraudulent insurance acts under \$300. He qualified for and was granted diversion. Court records indicate that Thompson successfully completed the terms of his diversion and the case was dismissed.

Tonya Herd– On February 19, 2009, Tonya Herd submitted false claim information in support of a claim for payment in the amount of \$2,857.88. Herd was charged with one count of fraudulent insurance acts over \$300. She was convicted of the amended charge of fraudulent insurance acts under \$300 and was ordered to pay restitution to Kentucky Farm Bureau in the amount of \$2,472.88.